

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Joseph T. Kelliher, Chairman;
Sudeen G. Kelly, Marc Spitzer,
Philip D. Moeller, and Jon Wellinghoff.

Northern Natural Gas Company

Docket Nos. CP06-89-002

WTG Hugoton, LP

Docket Nos. CP06-90-002

ORDER CONDITIONALLY ACCEPTING TARIFF SHEETS
AND REQUIRING TARIFF REVISIONS

(Issued July 30, 2007)

1. On June 1, 2007, Northern Natural Gas Company (Northern) filed revised tariff sheets and WTG Hugoton, LP (WTG) filed its proposed FERC Gas Tariff, Original Volume No. 1 to comply with the Commission's April 10, 2007 Order that granted Northern's abandonment of facilities by sale to WTG and granted WTG a certificate to operate the West Hugoton facilities as a new interstate gas pipeline.¹ As discussed below, we accept the tariff sheets filed by Northern and WTG's FERC Gas Tariff, Original Volume No. 1 to be effective on August 1, 2007, subject to further revision.

Background

2. On March 15, 2006, Northern filed an application to abandon by sale various natural gas pipeline facilities, referred to as the West Hugoton facilities, to WTG Hugoton, LP. On the same date, WTG filed an application for a certificate of public convenience and necessity to acquire, own and operate the West Hugoton facilities.²

3. On October 26, 2006, the Commission issued an order denying Northern's request to sell the subject facilities to WTG and dismissing WTG's associated requests for certificate authority.³ However, based on new evidence, the Commission issued an order on April 10, 2007, approving Northern's abandonment of the facilities by sale to WTG

¹ *Northern Natural Gas Company*, 119 FERC ¶ 61,035 (2007) (*certificate order*).

² WTG also requested a blanket construction certificate per Part 157, Subpart F, in Docket No. CP06-91-000 and a blanket certificate pursuant to section 7(c) of the Natural Gas Act and Part 284, Subpart G of the Commission's regulations to provide open transportation services in Docket No. CP06-92-000.

³ *Northern Natural Gas Company*, 117 FERC ¶ 61,117 (2006).

and granting WTG's associated requests for certificate authority.⁴ The certificate order required Northern and WTG to make tariff filings that comply with the requirements of that order sixty to ninety days prior to commencement of service and for WTG to revise its recourse rates, and file the rates and work papers supporting the revised recourse rates in conjunction with the filing of revised tariff sheets.

Notice, Interventions and Protests

4. Public notice of Northern's filing in Docket No. CP06-89-002 was issued on June 18, 2007. Interventions and protests were due on or before June 25, 2007. Timely motions to intervene were filed by Aquila Inc., Madison Gas and Electric Company, Marathon Oil Company, and Marathon Petroleum Company. On June 13, 2007, Indicated Shippers⁵ filed a protest stating that Northern had not filed tariff sheets adjusting the fuel rates affected by the abandonment of facilities to WTG as required by the certificate order. On June 21, 2007, Indicated Shippers withdrew their protest, citing Northern's June 15, 2007 tariff filing in Docket No. RP07-491-000, where Northern submitted a tariff filing proposing to adjust fuel rates affected by the abandonment of facilities to WTG. Public notice of WTG's filing in CP06-90-002 was issued on June 13, 2007. Northern filed a timely motion to intervene in support of WTG's compliance filing.

Discussion

Procedural Matters

5. Pursuant to Rule 214 of the Commission's Rules of Practice and Procedure, 18 C.F.R. § 385.214 (2007), the timely, unopposed motions to intervene serve to make the entities that filed them parties to this proceeding.

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6. The certificate order required Northern to revise and simplify its CS-1 form of service agreement to correspond to the format of its other rate schedules, clearly state that it will use the Panhandle Eastern TX-Okla index price in calculating imbalances for the CS-1 compression service for WTG, and to make a tariff filing to adjust any fuel rates affected by the abandonment of facilities to WTG. Indicated Shippers protested Northern's compliance filing, stating that Northern has not proposed to adjust the fuel rates affected by the abandonment of facilities to WTG or provide any explanation as to why no fuel rates will be affected. On June 21, 2007, Indicated Shippers withdrew their

⁴ *Northern Natural Gas Company*, 119 FERC ¶ 61,035 (2007).

⁵ Indicated Shippers consists of Anadarko Petroleum Corporation, Exxon Mobil Corporation and Marathon Oil Company.

protest, citing Northern's June 15, 2007 tariff filing. The Commission finds that Northern has adequately complied with the requirements of the certificate order and accepts the tariff sheets as filed.

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7. The certificate order required WTG to recalculate its rates after eliminating the proposed working capital component from its rate base and adjusting the rate of return on equity to 11.20 percent. The Commission finds that WTG has made the required change and will approve WTG's rates as filed. The certificate order also required WTG to make a variety of changes to its *pro forma* tariff. The Commission finds that WTG's compliance filing adequately addresses most of the requirements of the certificate order. The areas where further revisions are required are addressed below.

Processing

8. WTG's compliance filing states that WTG's tariff, like Northern's, expressly provides that the gas it receives is redelivered to shippers in a commingled stream, with no right for any shipper to recover the particular constituents entrained in the gas stream, including liquids or liquefiable hydrocarbons.⁶ WTG's obligation, like Northern's, is to deliver thermally equivalent volumes of gas as part of a commingled stream. By reserving processing rights, shippers retain the value of the liquids recovered from the commingled gas stream, under the processing arrangements they make on their own with downstream plant operators. WTG states that the language from section 44 of Northern's tariff quoted in the rehearing order permitting shippers to receive "an agreed-upon share of the plant products, revenue or other consideration" simply recognizes a shipper's right to make its own contractual arrangements for the processing of its gas, a right which WTG's tariff also recognizes, and that Northern's tariff does not guarantee that a shipper that elects to have its gas processed will receive any particular value for liquids at a downstream processing plant. Northern's June 12, 2007 comments agree with WTG and state that Northern's tariff merely provides a vehicle for the shipper to have its gas, including the liquids in the commingled gas stream, transported to a processing plant. Northern states that WTG's tariff provision on processing provides the same protection to its shippers as does Northern's tariff – neither guarantees that any particular constituent of gas will be delivered to the processing plant. After reviewing WTG and Northern's comments, the Commission finds that processing provisions in WTG's section 37.3 (a) through (c) are acceptable.

9. The certificate order also required WTG to explain why it should not be required to credit the revenue it receives from gas that is processed by WTG that is delivered by a shipper that has not elected to retain its processing rights. WTG's compliance filing

⁶ Compare GT&C section 37.3 of WTG tariff (Sheet No. 255) with GT&C section 44 of Northern's tariff (Sheet No. 281).

provides that it will provide a credit to its cost of service for any revenues received from the processing of gas where a shipper has not retained its processing rights. WTG observes that this change is consistent with the procedures currently in place under section 44 of Northern's GT&C.

10. The Commission finds that the revenue WTG receives from gas that it processes delivered by a shipper that has not elected to retain its processing rights should not be credited to WTG's cost of service. Section 44 of Northern's tariff requires Northern to allocate the revenues first, "to all notifying parties on a pro rata GPM⁷ basis" and, second, to credit any remaining revenues to its Field Area transportation commodity rates. WTG is ordered to develop a revenue crediting methodology similar to that reflected in Northern's tariff.

NAESB⁸

11. WTG revised section 24.12(b) (now section 24.13 (b) in WTG's Original Volume No. 1) to provide parties with notification of operational flow orders and other critical notices, in addition to notification of bumped volumes, as required by NAESB standards 5.3.34 and 5.3.35. However, WTG did not make the conforming change throughout the entire paragraph. Several sentences still refer to notices only being provided for bumping. WTG is ordered to make the conforming changes throughout the entire paragraph.

The Commission orders:

A. The tariff sheets filed by Northern on June 1, 2007, in Docket No. CP06-89-002, are accepted to be effective August 1, 2007.

B. The tariff sheets contained in WTG's FERC Tariff, Original Volume No. 1 are accepted to be effective August 1, 2007, subject to WTG filing revised tariff sheets, within 15 days of the date of this order, consistent with the discussion in the body of this order.

By the Commission.

(S E A L)

Kimberly D. Bose,
Secretary.

⁷ Gallons per Mcf.

⁸ North American Energy Standards Board (NAESB).